

IN THE SENATE OF THE UNITED STATES.

LETTER

FROM

THE SECRETARY OF THE TREASURY,

Relative to the issues of paper currency during the years from 1861 to 1869 inclusive.

JUNE 22, 1892.—Referred to the Committee on Finance and ordered to be printed, and also to be printed in the Congressional Record.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, D. C., June 20, 1892.

SIR: I have the honor to acknowledge receipt of Senate resolution, dated the 27th ultimo, as follows:

Resolved, That the Secretary of the Treasury be directed to inform the Senate how much paper currency was issued during each of the years from eighteen hundred and sixty-one to eighteen hundred and sixty-nine, both inclusive, giving the different classes of notes, the amount of each class, by what act of Congress authorized, and in what kind of money they were to be paid; what classes were legal tender; how much withdrawn each year, and how much outstanding at the end of each year to and including eighteen hundred and seventy; what classes bore interest and at what rate; how were the notes finally paid, redeemed, or exchanged, and how much was outstanding at the end of the fiscal year eighteen hundred and ninety-one; and when finally redeemed and canceled what disposition was made of the notes; if destroyed, what means employed to effect the destruction.

The paper currency issued during the years mentioned consisted of demand notes authorized by the act of July 17, 1861, and February 12, 1862, United States notes authorized by the acts of February 25, 1862, July 11, 1862, and March 3, 1863; postage and fractional currency authorized by the acts of July 17, 1862, March 3, 1863, and June 30, 1864, and national-bank notes furnished to national banks under the act of June 3, 1864, and acts amendatory thereof. The aggregate amount of demand notes authorized was \$60,000,000, and the issue, including reissues, was \$60,030,000. The aggregate amount of United States notes authorized was \$450,000,000, but \$50,000,000 of those authorized by the act of February 25, 1862, were permitted by the act to be issued only as the demand notes should be retired, so that the aggregate amount of demand notes and United States notes outstanding at any one time could not lawfully exceed \$450,000,000. The act of February 25, 1862, provided that when United States notes should be received into the Treasury they might be reissued from time to time as the exigencies of the public service might require; and the act of March 17, 1862, pro-

vided for the issue of new notes in place of any mutilated circulating notes which might be received into the Treasury.

In pursuance of the authority contained in the above-mentioned acts, from the passage of the first act creating United States notes to July 1, 1891, there were issued of such notes by the Treasury Department, including reissues, the sum of \$2,402,921,808. Of this amount \$449,338,902 constituted the original issue authorized by the several acts, and all of the remainder consisted of reissues from time to time for the purpose of replacing mutilated notes returned to the Department as unfit for circulation. At no time has there been outstanding a greater amount of United States notes than the \$449,338,902 above mentioned. Postage and fractional currency was authorized to the amount of \$50,000,000. The greatest amount outstanding at one time was \$49,102,660.27, and the total issue, including reissues to replace mutilated notes, was \$368,724,079.45.

The act of receiving mutilated notes and giving new ones in exchange is not a redemption according to the definitions of the lexicographers, but it has been the practice of the Department ever since the process began to report mutilated notes which had been destroyed as notes redeemed. The word "redemption" may be said, therefore, to have acquired a technical meaning equivalent to the word "renewal," and its use in this technical sense has no doubt caused misunderstanding among the people as to the amounts of paper money withdrawn from circulation.

I submit below tables showing the amount of each of the classes of paper money above enumerated, issued, redeemed, and outstanding each year from July 1, 1861, to July 1, 1870, inclusive. The column of issues includes the reissues on account of mutilated notes surrendered for renewal, and the column of redemptions includes such mutilated notes, as well as the notes withdrawn from circulation. Another table, showing the aggregate amount of paper currency outstanding and the expansion or contraction from year to year, is added. It should be observed that the tables do not include the State-bank notes in circulation during this period, nor the specie currency of the Pacific coast.

The acts under which the demand notes, United States notes, and fractional currency were issued failed to specify the kind of money in which they should be redeemed, but the national-bank notes were made redeemable in lawful money. Of these classes the demand notes were full legal tender and United States notes were legal tender for all debts, public and private, except duties on imports and coin interest on the public debt. The demand notes were retired by redemption in coin when demanded, or by their receipt on account of customs. The amount of United States notes redeemed and retired is only about one hundred and three millions. Their redemption extended over a period of nearly fourteen years and may be said to have been accomplished by the application to that purpose of surplus revenues. The fractional currency was redeemed in lawful money, and national-bank notes have been retired in like manner.

The amounts outstanding July 1, 1891, were as follows: United States notes, \$346,681,016; national bank notes, \$167,927,974. The other classes which were outstanding July 1, 1870, have been long retired, but their places have been taken by other forms of money, including gold and silver coins, gold certificates, silver certificates, and Treasury notes of the act of July 14, 1890. The aggregate amount of these several forms of money in circulation July 1, 1891, not including the amounts of

each kind in the vaults of the Treasury of the United States, was \$1,497,440,707.

Paper currency, whether mutilated or redeemed and retired from circulation, was destroyed by burning, in pursuance of law, until the process of maceration was substituted by authority of the act of June 23, 1874.

OLD DEMAND NOTES.

Fiscal year.	Issued.	Redeemed.	Outstanding.
1862	\$60,030,000.00	\$6,990,000.00	\$53,040,000.00
1863		49,688,980.00	3,351,020.00
1864		2,570,021.00	780,999.00
1865		308,396.00	472,603.00
1866		200,441.00	272,162.00
1867		63,730.00	208,432.00
1868		66,709.00	141,723.00
1869		17,984.00	123,739.00
1870		17,483.00	106,256.00
Total	60,030,000.00	59,923,744.00	.....

UNITED STATES NOTES.

1862	98,620,000.00	2,000,000.00	96,620,000.00
1863	291,260,000.00	233,411.00	387,646,589.00
1864	86,420,870.00	26,767,256.00	447,300,203.00
1865	4,159,830.00	20,393,605.00	431,066,428.00
1866	2,322,615.00	32,608,737.00	400,780,306.00
1867	58,260,000.00	87,256,709.00	371,783,597.00
1868	10,071,559.00	25,855,156.00	356,000,000.00
1869	57,947,522.00	58,012,328.00	355,935,194.00
1870	177,173,520.00	177,108,714.00	356,000,000.00
Total	786,235,916.00	430,235,916.00	.....

POSTAL AND FRACTIONAL CURRENCY.

1863	20,192,456.00	.....	20,192,456.00
1864	8,169,721.25	5,467,300.25	22,894,877.00
1865	14,614,563.15	12,503,611.15	25,005,829.00
1866	17,864,320.75	15,799,272.75	27,070,877.00
1867	19,916,530.65	18,679,883.65	28,307,524.00
1868	25,024,424.00	20,704,996.00	32,626,952.00
1869	23,709,131.65	24,221,446.65	32,114,637.00
1870	31,209,716.00	23,445,669.00	39,878,684.00
Total	160,700,863.45	120,822,179.45	.....

NATIONAL-BANK NOTES.

1864	31,235,270.00	.....	31,235,270.00
1865	115,171,455.00	268,865.00	146,137,860.00
1866	135,787,565.00	445,517.00	281,479,908.00
1867	20,804,436.00	3,658,965.00	298,625,379.00
1868	5,619,650.00	4,482,174.00	299,762,855.00
1869	7,287,465.00	7,307,845.00	299,742,475.00
1870	10,793,090.00	10,768,581.00	299,766,984.00
Total	326,698,931.00	26,931,947.00	.....

TOTAL PAPER CURRENCY.

Fiscal year.	Outstanding.	Increase.	Decrease.
1862	\$149,660,000.00	\$149,660,000.00	.....
1863	411,190,065.00	261,530,065.00	.....
1864	502,211,349.00	91,021,284.00	.....
1865	602,682,720.00	100,471,371.00	.....
1866	709,603,253.00	106,920,533.00	.....
1867	698,924,932.00	.....	\$10,678,321.00
1868	688,531,530.00	.....	10,393,402.00
1869	687,916,045.00	.....	615,485.00
1870	695,751,924.00	7,835,879.00	.....
Total .....	.....	717,439,132.00	21,687,208.00
Net increase .....	.....	21,687,208.00	.....
		695,751,924.00	

The resolution requires me to state what classes of paper currency issued during the period in question bore interest and at what rate. The answer to this question is that none of the obligations of the United States designed as paper currency and employed as such bore interest. There were, however, certain interest-bearing Treasury notes which were paid out by the Government in liquidation of its debts. In this respect they differed from other interest-bearing obligations which were negotiated as loans, and respecting them I deem it proper to make a brief statement and to submit tables showing their issue and redemption. When Congress convened in December, 1862, there were outstanding, issued under authority of the acts of February 25 and July 11, 1862, about \$300,000,000 of the United States legal-tender circulating notes; of this amount fifty millions were issued in lieu of a like amount of demand notes retired, and two hundred and fifty millions were an addition to the circulating medium of the United States. The addition was used by the Government in liquidating debts contracted in carrying on the war.

In the opinion of the financiers of that period, it just about supplied the place of the gold coin which had disappeared on the suspension of specie payments about January 1, 1862. In the third session of the Thirty-seventh Congress there was introduced a bill which after many amendments became what is known as the act of March 3, 1863. It was reported in the House by Mr. Spalding, of New York, who in his remarks thereon stated the necessities of the Government and the measures which had been devised for its relief. Among others was a provision for the issue of three hundred millions of interest-bearing Treasury notes and three hundred millions of United States notes. In stating their merits he said:

Under the operation of this new section, these interest-bearing Treasury notes and the legal-tender notes would be convertible and reconvertible into each other at the will of the holder; and as both can be paid out to the creditors of the Government, they will soon find their way into all the channels of business in all parts of the country. The interest-bearing notes will be laid aside, out of circulation, better than gold as an investment, because yielding a fair rate of interest; while the legal-tender notes will continue to circulate as money. The object of this section is to reach the money invested in temporary loans, in all the cities, villages, and towns throughout the country, and apply it to sustain the Government at this time.

The act as it was approved authorized the issue of \$400,000,000 of interest-bearing notes and \$150,000,000 of United States notes. Under its authority there were issued \$44,520,000 notes bearing interest at 5 per cent and redeemable one year from date; \$166,480,000 of notes at 5 per cent and redeemable in two years, and \$17,993,760 compound in-

terest notes running three years with interest compounded at 6 per cent. The total amount of interest-bearing Treasury notes issued under this act was therefore \$228,993,760. Of the two hundred and eleven millions of 5 per cent notes, one hundred and fifty millions bore coupons, and only twenty-two millions were of denominations smaller than \$50.

The act of June 30, 1864, authorized the issue of an additional two hundred millions of interest-bearing notes and authorized the retirement of any of the notes issued under former acts and the substitution of notes similar to those authorized in the new act. Under this latter provision \$177,045,770 of the 5 per cent notes were retired, and a like amount of compound interest notes substituted and \$71,555,910 in compound interest notes were issued as an addition to the interest-bearing debt.

It is significant of the intent of Congress in these matters that the interest-bearing notes should be first authorized in the same act which provided for an increase of the circulating notes. It was stated in the debates that the one class would be used as an investment security, while the other would constitute an addition to the volume of money in circulation. The accuracy of this forecast was proven by the subsequent history of the two classes of obligations. The interest-bearing notes fell into the hands of investors, and so generally remained until the date of their maturity or until they could be exchanged at the Treasury Department on favorable terms for other obligations.

No renewals of mutilated interest-bearing notes were made. When received into the Treasury they were absolutely redeemed. Their condition when received was similar to that of other interest-bearing obligations, very few of the notes showing the signs of wear so characteristic of paper money. While they were outstanding no accurate estimate as to their employment was possible. Secretary Fessenden thought that some of them were in circulation, but to what extent he was unable to determine. He said in his report that the 5 per cent coupon notes were objectionable because of the liability of their being periodically rushed upon the market, and for that reason a large amount of them was withdrawn and replaced with compound-interest notes as being more likely to remain as investment securities.

Secretary McCulloch, in his report for 1865, stated that there were outstanding October 31 of that year \$205,549,040 interest-bearing notes of which he thought it safe to estimate that \$30,000,000 were in circulation as currency; but when the notes themselves came in for redemption it was apparent that their use as money had been greatly overestimated. In fact so few of them had been used for that purpose that their effect upon the currency of that period must have been inappreciable, except for a short time following their original issues.

The following tables show the issues, redemptions, and amounts outstanding of the 5 per cent and compound-interest notes from 1864 to 1870.

ISSUES OF PAPER CURRENCY.

ONE-YEAR NOTES OF 1863.

Fiscal year.	Issued.	Redeemed.	Outstanding.
1864	\$44, 520, 000	.....	\$44, 520, 000
1865 .....	.....	\$36, 052, 530	8, 467, 470
1866 .....	.....	6, 316, 180	2, 151, 290
1867 .....	.....	1, 356, 820	794, 470
1868 .....	.....	336, 130	458, 340
1869 .....	.....	238, 060	220, 280
1870 .....	.....	60, 170	160, 110
Total.....	44, 520, 000	44, 359, 890	.....

TWO-YEAR NOTES OF 1863.

1864	\$166, 480, 000	\$38, 380, 680	\$128, 099, 320
1865 .....	.....	85, 943, 040	42, 156, 280
1866 .....	.....	35, 869, 550	6, 286, 730
1867 .....	.....	5, 736, 880	549, 850
1868 .....	.....	273, 550	276, 300
1869 .....	.....	149, 200	127, 100
1870 .....	.....	33, 560	93, 450
Total.....	166, 480, 000	166, 386, 550	.....

COMPOUND-INTEREST NOTES.

1864	\$6, 060, 000	.....	\$6, 060, 000
1865	191, 404, 140	\$5, 742, 670	191, 721, 470
1866	39, 400, 000	81, 247, 260	149, 874, 210
1867	29, 731, 300	44, 831, 000	134, 774, 510
1868 .....	.....	80, 166, 760	54, 607, 750
1869 .....	.....	51, 544, 820	3, 062, 930
1870 .....	.....	871, 740	2, 191, 190
Total	266, 595, 440	262, 404, 250	.....

TOTAL OF THE FOREGOING INTEREST-BEARING NOTES.

1864	\$217, 060, 000	\$38, 380, 680	\$178, 679, 320
1865	191, 404, 140	127, 738, 240	242, 345, 220
1866	39, 400, 000	123, 432, 990	158, 312, 230
1867	29, 731, 300	51, 924, 700	136, 118, 830
1868 .....	.....	80, 776, 440	55, 342, 390
1869 .....	.....	51, 932, 080	3, 410, 310
1870 .....	.....	965, 560	2, 444, 750
Total.....	477, 595, 440	475, 150, 690	.....

I deem it unnecessary in this connection to make any statement respecting the several issues of 7-30 notes, except to say that they were negotiated as loans, just as the 5-20 and other loans were negotiated; that they were redeemable three years after date and each note bore five coupons, and that they were not legal tender and were not at any time used as money.

Respectfully, yours,

CHARLES FOSTER,
Secretary.

The PRESIDENT OF THE UNITED STATES SENATE.